

County of Alger, Michigan

**Audited Financial Statements
And Supplemental Information
December 31, 2004**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name County of Alger, Michigan		County Alger
Audit Date 12/31/04	Opinion Date 5/12/05	Date Accountant Report Submitted to State 7/26/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLC			
Street Address 102 W. Washington Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature John H. Eberly CPA			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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Independent Auditors' Report

Board of Commissioners
County of Alger, Michigan
Munising, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Alger, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Alger, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Alger County Commission on Aging (discretely presented component unit), which represents 0.41 percent of the net assets of the component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note A, the County of Alger, Michigan prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, except for the discretely presented component units which are prepared using generally accepted accounting principles.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund

Board of Commissioners
County of Alger, Michigan
Munising, Michigan

information of the County of Alger, Michigan, as of December 31, 2004, and the respective changes in financial position – modified cash basis, thereof for the year ended in conformity with the basis of accounting described in Note A, except for the discretely presented component units, which are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 40 through 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005 on our consideration of the County of Alger, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund schedules as listed as other financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Alger, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 12, 2005

County of Alger, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Alger's financial performance provides an overview of the County's financial activities for the year ended December 31, 2004. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The County's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the County as a whole were \$3,778,613. Net assets increased by \$356,079 as a result of this year's operations.
- During the year, the County had expenses for governmental activities that were \$3,936,237 and generated \$4,292,316 in general revenues and other program sources.
- The general fund reported a net change in fund balance of \$1,813. This is \$5,867 lower than the forecasted increase of \$7,680.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 9. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

report the County's net assets and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the overall financial health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- **Governmental activities** – Most of the County's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-type activities** – The County currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services.
- **Component units** – The County includes two separate legal entities in its report – the Commission on Aging and the Alger County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- Proprietary funds – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use internal service funds (the only component of the County's proprietary funds) to report activities related to delinquent tax collection funds that provide services for the County's other programs and activities.

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

Table I provides a summary of the County's net assets as of December 31, 2004.

Table 1
Net Assets

	Governmental Activities – 2004
Current and other assets	\$3,591,248
Capital assets, net	<u>2,525,690</u>
Total Assets	6,116,938
Current liabilities	1,102,526
Noncurrent liabilities	<u>1,235,799</u>
Total Liabilities	2,338,325
Net Assets:	
Invested in capital assets, net of related debt	1,445,690
Restricted	-
Unrestricted	<u>2,332,923</u>
Total Net Assets	<u>\$3,778,613</u>

Net assets of the County's governmental activities stood at \$3,778,613. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,332,923.

The \$2,332,923 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Table 2
Change in Net Assets

	Governmental Activities - 2004
Revenues:	
Program revenues:	
Charges for services	\$ 904,821
Operating grants and contributions	896,956
Capital grants and contributions	-
General revenues:	
Taxes	2,206,714
Unrestricted intergovernmental sources	203,987
Interest and investment earnings	38,987
Miscellaneous	40,851
Total Revenues	<u>4,292,316</u>
 Program Expenses:	
Legislative	60,933
Judicial	599,886
General government	885,650
Public safety	862,268
Health and welfare	413,290
Other	1,062,507
Interest on long-term debt	51,703
Total Expenses	<u>3,936,237</u>
Increase (decrease) in net assets	356,079
Net assets, beginning	<u>3,422,534</u>
Net Assets, Ending	<u>\$3,778,613</u>

The County's total revenues were \$4,292,316. The total cost of all programs and services was \$3,936,237, leaving an increase in net assets of \$356,079.

The primary reason for the increase was the establishment of the Revenue Sharing Fund in the current year.

Table 3 presents the cost of each of the four largest programs – General Government, Public Safety Judicial and Other – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County's operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$885,650	\$(401,767)
Public Safety	862,268	(489,949)
Judicial	599,886	38,254
Other	1,062,507	(990,655)

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$1,746,169, an increase of \$527,036 from the beginning of the year.

The primary reason for the increase was the establishment of the Revenue Sharing Fund in the current year.

General Fund Budgetary Highlights

Over the course of the year, the County Commission revised the budget seven times.

With these adjustments, actual charges to expenditures were \$295 less than the final amended budget and other financing sources (uses) were \$99,835 more than the final amended budget. Conversely, revenues were \$105,997 less than the final budget projection. Budget fluctuations were incurred in State sources, and other miscellaneous revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the County had \$2,525,690 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities - 2004
Land	\$ 160,000
Buildings and improvements	2,102,302
Equipment and vehicles	263,388
Totals	<u>\$2,525,690</u>

No major capital additions were incurred in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the County had \$1,080,000 in bonds outstanding. There were no new additions to debt for this year and further details on long-term debt can be found in Note E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials consider many factors when setting the fiscal year 2005 budget. One of those factors is the economy.

The current economic health of the State of Michigan was of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect Alger County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer at County of Alger, 101 Court Street, Munising, Michigan 49862.

County of Alger, Michigan

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash	\$ 1,821,563	\$ 1,165,673
Receivables (net)	1,769,685	526,053
Inventory	-	328,946
Prepaid expenses and other assets	-	67,640
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,591,248	2,088,312
	<hr/>	<hr/>
Non-current assets:		
Land	160,000	49,332
Other capital assets	3,576,460	8,553,608
Accumulated depreciation	(1,210,770)	(4,745,015)
	<hr/>	<hr/>
Total Capital Assets	2,525,690	3,857,925
	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	2,525,690	3,857,925
	<hr/>	<hr/>
TOTAL ASSETS	6,116,938	5,946,237
	<hr/>	<hr/>
LIABILITIES:		
Current Liabilities:		
Accounts payable	4,276	174,787
Accrued liabilities	-	390,057
Deferred revenue	1,068,250	144,874
Compensated absences	-	60,527
Current portion of bonds payable	30,000	-
Current portion of notes and contracts payable	-	291,787
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,102,526	1,062,032
	<hr/>	<hr/>
Non-current Liabilities:		
Compensated absences	185,799	189,526
Bonds payable	1,050,000	-
Long-term contracts and notes payable	-	3,236,818
Other	-	-
	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	1,235,799	3,426,344
	<hr/>	<hr/>
TOTAL LIABILITIES	2,338,325	4,488,376
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets net of related debt	1,445,690	329,320
Restricted for:		
Debt Service	-	138,817
Unrestricted	2,332,923	989,724
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 3,778,613	\$ 1,457,861
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Statement of Activities - Modified Cash Basis

For the year ended December 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units
Primary Government:					
Governmental Activities:					
Legislative	\$ 60,933	\$ -	\$ -	\$ -	\$ -
Judicial	599,886	277,451	360,689	-	(60,933)
General government	885,650	354,260	129,623	-	38,254
Public safety	862,268	87,949	284,370	-	(401,767)
Health and welfare	413,290	185,161	50,422	-	(489,949)
Other	1,062,507	-	71,852	-	(177,707)
Interest on long-term debt	51,703	-	-	-	(990,655)
					(51,703)
TOTAL PRIMARY GOVERNMENT	3,936,237	904,821	896,956	-	(2,134,460)
Component Units:					
Commission on Aging	496,960	63,782	437,607	-	4,429
Road Commission	3,793,238	1,310,080	2,772,847	-	289,689
TOTAL COMPONENT UNITS	\$ 4,290,198	\$ 1,373,862	\$ 3,210,454	\$ -	294,118
General Revenues:					
Taxes					
Unrestricted intergovernmental sources					33,600
Interest and investment earnings					-
Miscellaneous					16,203
					(594,462)
TOTAL GENERAL REVENUES	2,490,539				(544,659)
CHANGE IN NET ASSETS	356,079				(250,541)
Net assets, beginning of year	3,422,534				1,708,402
NET ASSETS, END OF YEAR	\$ 3,778,613				\$ 1,457,861

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Governmental Funds

Balance Sheet - Modified Cash Basis

December 31, 2004

ASSETS	General Fund	Ambulance Fund	Restricted Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 242,220	\$ 97,748	\$ 538,381	\$ 59,243	\$ 467,934	\$ 1,405,526
Receivables						
Taxes - current	857,490	210,760	-	342,350	-	1,410,600
Other assets	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,099,710	\$ 308,508	\$ 538,381	\$ 401,593	\$ 467,934	\$ 2,816,126

LIABILITIES AND FUND BALANCE

LIABILITIES:

Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 1,707	\$ 1,707
Deferred revenue	857,490	210,760	-	-	-	1,068,250
Other liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	857,490	210,760	-	-	1,707	1,069,957

FUND BALANCE:

Reserved, reported in:						
Capital Projects Funds	-	-	-	-	56,535	56,535
Unreserved, reported in:						
General Fund	242,220	-	-	401,593	-	242,220
Special Revenue Funds	-	97,748	538,381	-	409,692	1,447,414
TOTAL FUND BALANCE	242,220	97,748	538,381	401,593	466,227	1,746,169

TOTAL LIABILITIES AND FUND BALANCE

\$ 1,099,710	\$ 308,508	\$ 538,381	\$ 401,593	\$ 467,934	\$ 2,816,126
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County of Alger, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total Fund Balances for Governmental Funds

\$ 1,746,169

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

2,525,690

Internal service funds are used by management to administer the
activities of the Delinquent Tax Revolving Funds. The assets and
liabilities of the internal service funds are included in governmental
activities in the statement of net assets, net of capital assets.

772,553

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable
Compensated absences
Long-term portion of bonds payable

\$ 30,000
185,799
1,050,000

(1,265,799)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 3,778,613

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis

For the year ended December 31, 2004

	General Fund	Ambulance Fund	Restricted Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 1,559,931	\$ 218,038	\$ -	\$ 428,745	\$ -	\$ 2,206,714
Licenses and permits	1,617	-	-	-	97,498	99,115
Federal sources	203,261	-	-	-	97,708	300,969
State sources	549,639	36,197	-	-	81,183	667,019
Local sources	12,687	-	-	-	110,668	123,355
Contributions from private sources	9,600	-	-	-	-	9,600
Charges for services	443,411	185,161	-	-	68,434	697,006
Fines and forfeits	14,918	-	-	-	2,132	17,050
Interest and rentals	137,291	-	12,081	-	-	149,372
Other	22,116	-	-	-	-	22,116
TOTAL REVENUES	2,954,471	439,396	12,081	428,745	457,623	4,292,316
EXPENDITURES:						
Current operations:						
Legislative	40,428	-	-	-	-	40,428
Judicial	571,334	-	-	-	28,552	599,886
General government	787,878	-	-	27,152	153,337	968,367
Public safety	659,104	-	-	-	162,892	821,996
Health and welfare	85,608	341,949	-	-	24,046	451,603
Other	1,025,089	-	-	-	-	1,025,089
Capital outlay	-	-	-	-	37,418	37,418
Debt service	81,703	-	-	-	-	81,703
TOTAL EXPENDITURES	3,251,144	341,949	-	27,152	406,245	4,026,490
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(296,673)	97,447	12,081	401,593	51,378	265,826
OTHER FINANCING SOURCES (USES):						
Loan proceeds	-	-	-	-	-	-
Transfers in	326,122	-	-	-	55,407	381,529
Transfers out	(27,636)	(80,683)	-	-	(12,000)	(120,319)
TOTAL OTHER FINANCING SOURCES (USES)	298,486	(80,683)	-	-	43,407	261,210
CHANGE IN FUND BALANCE	1,813	16,764	12,081	401,593	94,785	527,036
Fund balance, beginning of year	240,407	80,984	526,300	-	371,442	1,219,133
FUND BALANCE, END OF YEAR	\$ 242,220	\$ 97,748	\$ 538,381	\$ 401,593	\$ 466,227	\$ 1,746,169

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 527,036

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 74,065	
Depreciation expense	<u>(116,674)</u>	(42,609)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 30,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. -

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (20,505)

Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The net revenue of the internal service funds are included in governmental activities in the statement of net assets. (137,843)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 356,079</u>
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The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Proprietary Funds

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets:	
Cash	\$ 417,744
Receivables - other governmental units	16,535
Taxes receivable	342,550
TOTAL CURRENT ASSETS	776,829
TOTAL ASSETS	776,829
LIABILITIES	
Current Liabilities:	
Due to other governmental units	4,276
TOTAL CURRENT LIABILITIES	4,276
TOTAL LIABILITIES	4,276
NET ASSETS	
Unrestricted	772,553
TOTAL NET ASSETS	\$ 772,553

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

For the year ended December 31, 2004

	Governmental Activities Internal Service Funds
OPERATING REVENUES:	
Fees	\$ 43,563
Expense of sale	1,403
TOTAL OPERATING REVENUES	44,966
OPERATING EXPENSES:	
Other operating expenses	-
TOTAL OPERATING EXPENSES	-
OPERATING INCOME (LOSS)	44,966
NON-OPERATING REVENUES (EXPENSES):	
Interest income	78,401
Interest expense	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	78,401
INCOME (LOSS) BEFORE TRANSFERS	123,367
Transfers in	656,380
Transfers (out)	(917,590)
CHANGE IN NET ASSETS	(137,843)
Net assets, beginning of year	910,396
NET ASSETS, END OF YEAR	\$ 772,553

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Proprietary Funds

Statement of Cash Flows - Modified Cash Basis

For the year ended December 31, 2004

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 33,712
Cash payments to suppliers for goods and services	<u>1,812</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>35,524</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in (out)	<u>(261,210)</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(261,210)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>78,401</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>78,401</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(147,285)</u>
Cash and cash equivalents, beginning of year	<u>565,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 417,744</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 44,966
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	-
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(16,355)
(Increase) decrease in taxes receivable	5,101
Increase (decrease) in accounts payable	<u>1,812</u>
NET ADJUSTMENTS	<u>(9,442)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 35,524</u></u>

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Fiduciary Funds

Statement of Fiduciary Net Assets - Modified Cash Basis

December 31, 2004

	Agency Funds
ASSETS	
Cash	\$ 973,168
TOTAL ASSETS	<u>\$ 973,168</u>
LIABILITIES	
Due to other governmental units:	
State of Michigan	\$ 89,940
Other	426,262
Other liabilities	<u>456,966</u>
TOTAL LIABILITIES	<u>\$ 973,168</u>

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Component Units

Combining Statement of Net Assets

December 31, 2004

	<u>Commission on Aging</u>	<u>Road Commission</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,713	\$ 1,162,960	\$ 1,165,673
Receivables, net	44,903	481,150	526,053
Inventory	-	328,946	328,946
Prepaid expenses and other assets	4,916	62,724	67,640
TOTAL CURRENT ASSETS	<u>52,532</u>	<u>2,035,780</u>	<u>2,088,312</u>
Restricted Assets	-	-	-
Non-Current Assets:			
Capital assets:			
Land	-	49,332	49,332
Other capital assets	-	8,553,608	8,553,608
Accumulated depreciation	-	(4,745,015)	(4,745,015)
Total Capital Assets	<u>-</u>	<u>3,857,925</u>	<u>3,857,925</u>
TOTAL NON-CURRENT ASSETS	<u>-</u>	<u>3,857,925</u>	<u>3,857,925</u>
TOTAL ASSETS	<u>52,532</u>	<u>5,893,705</u>	<u>5,946,237</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	16,554	132,327	148,881
Due to other governmental units	25,906	-	25,906
Accrued liabilities	15,868	67,488	83,356
Deferred revenue	-	144,874	144,874
Compensated absences - current portion	348	60,179	60,527
Current portion of notes and contracts payable	-	291,787	291,787
Advances	-	306,701	306,701
TOTAL CURRENT LIABILITIES	<u>58,676</u>	<u>1,003,356</u>	<u>1,062,032</u>
Non-current Liabilities:			
Compensated absences	8,992	180,534	189,526
Notes payable	-	3,236,818	3,236,818
TOTAL NON-CURRENT LIABILITIES	<u>8,992</u>	<u>3,417,352</u>	<u>3,426,344</u>
TOTAL LIABILITIES	<u>67,668</u>	<u>4,420,708</u>	<u>4,488,376</u>
NET ASSETS			
Invested in capital assets net of related debt	-	329,320	329,320
Restricted for debt service	-	138,817	138,817
Unrestricted	(15,136)	1,004,860	989,724
TOTAL NET ASSETS	<u>\$ (15,136)</u>	<u>\$ 1,472,997</u>	<u>\$ 1,457,861</u>

The accompanying notes are an integral part of these financial statements.

County of Alger, Michigan

Component Units

Combining Statement of Activities

For the year ended December 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Commission on Aging	Road Commission	Total
Commission on Aging Operations	\$ 496,960	\$ 63,782	\$ 437,607	\$ 4,429	\$ -	4,429
Road Commission Operations	3,793,238	1,310,080	2,772,847	-	289,689	289,689
TOTAL COMPONENT UNITS	\$ 4,290,198	\$ 1,373,862	\$ 3,210,454	\$ 4,429	\$ 289,689	\$ 294,118
General Revenues:						
Property taxes				33,600	-	33,600
Interest and investment earnings				-	16,203	16,203
Miscellaneous				707	(595,169)	(594,462)
TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEMS				\$ 34,307	\$ (578,966)	\$ (544,659)
CHANGE IN NET ASSETS						
Net assets, beginning of year				38,736	(289,277)	(250,541)
				(53,872)	1,762,274	1,708,402
NET ASSETS, END OF YEAR				\$ (15,136)	\$ 1,472,997	\$ 1,457,861

County of Alger, Michigan
December 31, 2004
Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*, these financial statements present the County of Alger, Michigan (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading if the component unit data were not included. The accounting policies of the primary government conform to the modified cash basis of accounting.

The financial information presented in this report is for the year ended December 31, 2004, except for the Alger County Commission on Aging (discretely presented component unit) which are for the fiscal year ended September 30, 2004.

Discretely Presented Component Units

Governmental Fund Types

Road Commission – The Alger County Road Commission, which is established pursuant of the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commissioners may not issue debt or levy a tax without the approval of the county Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

The Road Commission Operating Fund is used to control expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes.

A complete financial statement of the component unit can be obtained directly from the administrative office.

Alger County Road Commission
E9264 M-28
Munising, Michigan 49862

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

Commission on Aging – The Alger County Commission on Aging is governed by a nine member board appointed by the County Board. It provides services to the elderly residents of Alger County. The financial information presented for this component unit is for the fiscal year ended September 30, 2004.

A complete financial statement of the component unit can be obtained directly from the administrative office.

Alger County Commission on Aging
101 Court Street
Munising, Michigan 49862

Economic Development Corporation (EDC) – The Alger County EDC has no balances, is inactive and therefore, not included in the accompanying financial statements.

District Health Department – Luce, Mackinac, Alger and Schoolcraft Counties participate jointly in the operation of the District Health Department. All of the financial operations of the Health department are recorded in the records of Luce County. Alger's appropriation to the District Health Department for the calendar year was \$12,000.

Description of County Operations

The County of Alger was organized in 1885 and covers an area of 905 square miles with the County seat located in the City of Munising. The County operates under an elected Board of Commissioners (5 members) and provides services to its more than 9,800 residents (2000 census), including legislative, judicial, public safety, health and welfare, social services and ambulance.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's public safety, judicial, health and welfare and general government services are classified as governmental activities. The County does not engage in business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a modified cash basis, economic resource basis, which recognizes all long-term assets as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenues.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The County uses the following fund types:

Governmental Fund Types:

General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – These funds are used to account for specific revenue derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes, as dictated by legal, regulatory or administrative requirements. Special Revenue Funds include the Social Services, Ambulance, M.S.U. Extension, County Law Library, Emergency Management, Friend of the Court, Probate Child Care, Building Department, Veterans Trust, Michigan Justice Training, Central Dispatch 911, Wireless 911, Restricted, Register of Deeds Automation, Revenue Sharing Reserve, Emergency Management Grant, Drug Law Enforcement, Circuit Court Probate Oversight, Homestead Property Tax and Tax Administration Funds.

Capital Projects Fund – These funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and special assessments).

Component Units – Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines. These include the Alger County Commission on Aging and the Alger County Road Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

Proprietary Fund Types:

Internal Service Funds – These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the County, or to other governmental units on a cost reimbursement basis or for the purchase of delinquent real property taxes from local units of government. The primary government's 100% Tax Payment Fund is the internal service type fund.

Fiduciary Fund Types:

Agency Funds – These funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The primary government's Agency Fund is used to account for the collections of taxes, fees, etc., that have not been remitted to other governments or funds.

The County's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

Major Funds:

The emphasis in fund financial statements is on the major funds. Nonmajor funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The County reports the following major governmental funds: the General Fund, Ambulance Fund, Restricted Fund, and Revenue Sharing Reserve Fund.

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Primary Government – The accounts of the primary government have been maintained in accordance with the balanced fund principles of governmental accounting on the modified cash basis. Recognition has not been given to receivables (other than property taxes, for which deferred revenue is recorded), inventory, payables and accrued liabilities, for all funds. Revenues are recognized when received. Expenditures are recognized when paid. Accordingly, the primary government financial statements do not present financial position and results of operations in conformity with generally accepted accounting principles.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

Component Units – The modified accrual basis of accounting is followed by the Alger County Commission on Aging and the Alger County Road Commission. The modified accrual basis provides that revenues be recorded when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred.

Cash

The primary government classifies all demand and time deposits including Certificates of Deposit, as well as cash on hand and short-term investments with original maturities of three months or less from date of acquisition, as cash in the accompanying financial statements.

Accounts and Taxes Receivable

Accounts receivable represent revenues earned but not collected as of the balance sheet date. Due to the modified cash basis being utilized, accounts receivable are generally not recorded by the primary government.

Property taxes levied attach as an enforceable lien on property. Taxes are levied on December 1 and are payable by February 28 of the subsequent year. The County tax is collected by the various local tax collecting units (Townships, Cities, etc.) and are recognized as revenue in the year in which payment is due. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the year end. Accordingly, deferred revenue is being recognized for such amounts even though the cash basis of accounting is utilized.

Accounts Payable

This generally represents amounts owed for expenditures incurred but not paid as of the balance sheet date. Accounts payable are limited to those of the discretely presented component units, as the primary government uses the modified cash basis of accounting.

Compensated Absences

The primary government has vacation and sick leave policies for each of its major groups of employees. Employees earn annual vacation and sick leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation and sick leave days are based on various Labor Union Contract terms and administrative policies of the County. Unused vacation can not be carried forward and therefore no liability is recorded. The sick leave policies are as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

Courthouse Employee' Chapter Of Local #625 – Regular full time employees are entitled to one seven (7) hour day of paid sick leave for each calendar month of employment. The unused portion may accumulate from year to year to a maximum of seventy five (75) days.

In addition upon death or termination of employment employees are paid an amount per accumulated day. The daily rate is determined by the employee's current base hourly rate of pay multiplied by seven (7) hours.

Sheriff's Department Employees Chapter – Regular full time employees are entitled to one eight (8) hour day of paid sick leave for each calendar month of employment. The unused portion may accumulate from year to year to a maximum of one hundred (100) days.

In addition, upon death or termination of employment, employees are paid an amount per accumulated day. The daily rate is determined by the employee's current base hourly rate of pay multiplied by eight (8) hours.

A liability for unpaid sick pay is recorded in accordance with GASB Statement 16, which requires sick leave to be recorded as a liability if the employee earns the right to be compensated for all or a portion of their accumulated leave upon termination. The method used to determine the liability includes both employees who currently are eligible (vested) to receive termination payments and other employees who are expected to become eligible (vested) in the future. The accumulations are reduced to a maximum amount allowed as a termination payment. GASB Statement 16 also requires an additional amount to be recorded as a liability for salary related payments associated with the payment of compensated absences (social security taxes, etc.). The sick leave benefit liability is recorded in the government-wide financial statements as a long-term liability.

Accrued Payroll

This represents salaries and wages earned but not paid to County employees as of December 31. The recorded accrued payroll is limited to that of the discrete component unit, as the primary government uses the modified cash basis.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Deferred revenue at December 31, 2004 consists of grants received for the 2005 fiscal year limited to that of the discrete component unit and the 2004 tax levy.

Capital Assets

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation of all exhaustible capital assets is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40–50 years
Equipment and vehicles	5–20 years
Infrastructure	20–50 years

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB No.34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include (a) a Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations; and (b) financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure (e.g. streets, bridges and sidewalks).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

NOTE B – CASH DEPOSITS AND INVESTMENTS:

Deposits are carried at cost. Deposits of the primary government are in four financial institutions in the name of the County of Alger Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credits unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government national Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks' mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. The County's deposits are in accordance with statutory authority.

Cash balances can be summarized into the following categories:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash in demand accounts	\$ 41,541	\$ 2,713	\$ -	\$ 44,254
Cash in savings accounts	267,697	1,162,241	973,168	2,403,106
Certificates of Deposit	1,511,600	-	-	1,511,600
Imprest cash	725	719	-	1,444
	<u>\$1,821,563</u>	<u>\$1,165,673</u>	<u>\$973,168</u>	<u>\$3,960,404</u>

At year end, the reporting entity's total bank balance was \$4,309,945 of which \$400,000 was insured by the Federal Deposit Insurance Coverage (FDIC) regulation number 330.8. The remaining balance of \$3,909,945 was uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC.

NOTE C – INTERFUND TRANSFERS:

The transfers between funds for the year ended December 31, 2004 are as follows:

	Transfers In		Transfers Out
County Law Library	\$ 17,500	General Fund	\$ 27,636
Social Services	10,000		
Probate Child Care	136		
Subtotal	<u>27,636</u>	Subtotal	<u>27,636</u>
General Fund	326,122	Ambulance Fund	72,075
	-	100% Tax Collection Funds	254,047
Subtotal	<u>326,122</u>	Subtotal	<u>326,122</u>

NOTE C – INTERFUND TRANSFERS (CONTINUED):

	Transfers In		Transfers Out
2003 Tax Collection Fund	\$ 656,380	1997 Tax Collection Fund	\$ 2,869
		1998 Tax Collection Fund	8,856
		2001 Tax Collection Fund	45,000
		2002 Tax Collection Fund	599,655
Subtotal	<u>656,380</u>	Subtotal	<u>656,380</u>
Emergency Management Grant Fund	20,608	Ambulance Fund	8,608
		Central Dispatch 911 Fund	12,000
Subtotal	<u>20,608</u>	Subtotal	<u>20,608</u>
Register of Deeds Automation Fund	<u>7,163</u>	2002 Tax Collection Fund	<u>7,163</u>
TOTAL	<u>\$1,037,909</u>	TOTAL	<u>\$1,037,909</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE D – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Capital assets being depreciated:				
Buildings and improvements	3,084,395			3,084,395
Equipment and vehicles	<u>418,000</u>	<u>74,065</u>	-	<u>492,065</u>
Total Capital Assets	<u>3,662,395</u>	<u>74,065</u>	-	<u>3,736,460</u>
Less accumulated depreciation:				
Buildings and improvements	919,196	62,897	-	982,093
Equipment and vehicles	<u>174,900</u>	<u>53,777</u>	-	<u>228,677</u>
Total Accumulated Depreciation	<u>1,094,096</u>	<u>116,674</u>	-	<u>1,210,770</u>
Capital Assets, Net	<u>\$2,568,299</u>	<u>\$ 42,609</u>	<u>\$ -</u>	<u>\$2,525,690</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General government	\$53,650
Public safety	40,272
Health and welfare	<u>22,752</u>
Total Depreciation Expense – Governmental Activities	<u>\$116,674</u>

NOTE D – CAPITAL ASSETS (CONTINUED):

A summary of the changes in component units capital assets for the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 49,332	\$ -	\$ -	\$ 49,332
Capital assets being depreciated:				
Buildings	3,856,684	-	-	3,856,684
Equipment and vehicles	4,969,363	53,970	326,409	4,696,924
Infrastructure	-	-	-	-
Total Capital Assets	<u>8,875,379</u>	<u>53,970</u>	<u>326,409</u>	<u>8,602,940</u>
Less accumulated depreciation:				
Buildings	650,864	81,530	-	732,394
Equipment and vehicles	3,332,659	1,021,244	341,282	4,012,621
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>3,983,523</u>	<u>1,102,774</u>	<u>341,282</u>	<u>4,745,015</u>
Capital Assets, Net	<u>\$4,891,856</u>	<u>\$(1,048,804)</u>	<u>\$(14,873)</u>	<u>\$3,857,925</u>

NOTE E – LONG-TERM DEBT:

The following is a summary of the long-term debt of the primary government at December 31, 2004:

	Balance 1/1/04	Additions	Reductions	Balance 12/31/04
Sick Leave	\$ 165,294	\$20,505	\$ -	\$185,799
Bonds Payable	<u>1,110,000</u>	<u>-</u>	<u>30,000</u>	<u>1,080,000</u>
	<u>\$1,275,294</u>	<u>\$20,505</u>	<u>\$30,000</u>	<u>\$1,265,799</u>

Sick Leave

Employees earn annual vacation and sick leave at various numbers of days per year based on length of service up to a maximum accumulation of days. These benefits are outlined in labor union contracts and administrative policies of the County. At December 31, 2004, liabilities for accumulated unpaid sick leave as reported in the Statement of Net Assets total \$185,799. The County does not allow a carry forward of unused vacation benefits to the following operating year unless specifically approved on an individual basis in accordance with union contracts.

Bond Issue

The County of Alger Building authority 1999 Building Authority Bond is a \$1,220,200 issue, on which the County has drawn the full amount as of December 31, 2003. The proceeds of the bonds were used in the construction of an addition to the County Courthouse.

NOTE E – LONG-TERM DEBT (CONTINUED):

The bonds accrue interest at an annual rate of 4.75%, with interest being payable twice a year, on April 1 and October 1. Principal payments are due once each year, on April 1. The following future payment information is presented.

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 30,000	\$ 50,587	\$ 80,587
2006	35,000	49,044	84,044
2007	35,000	47,381	82,381
2008	40,000	45,600	85,600
2009	40,000	43,700	83,700
2010-2014	230,000	187,625	417,625
2015-2019	295,000	125,281	420,281
2020-2024	375,000	46,907	421,907
Totals	<u>\$1,080,000</u>	<u>\$596,125</u>	<u>\$1,676,125</u>

NOTE F – PROPERTY TAXES:

The County property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the County as of the preceding December 31st. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax roll.

Although the County 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County's policy to recognize revenue from the current tax levy in the ensuing year, as collected.

The 2004 taxable valuation of the County totaled \$249,756,995, on which ad valorem taxes levied consisted of the following (one mill is equal to \$1.00 per \$1,000 of taxable value):

General Fund	5.3337 mills
Ambulance Fund	0.9369 mills
M.S.U. Extension Fund	0.2398 mills
Commission on Aging	0.2446 mills
TOTAL	<u>6.7550 mills</u>

NOTE G – RENTAL INCOME:

The County leases office space to other governmental units under operating leases which are renewable annually. The rental income on these leases was \$110,385 in 2004. The cost of the facilities used has not been determined.

NOTE H – PENAL FINES:

The Alger County Treasurer collects penal fines for the Alger County Law Library and for the Munising Public School Library in accordance with the provisions of Public Act 59, 1964. This act requires that penal fines revenues collected by the County Treasurer be distributed to public libraries and county law libraries.

NOTE I – RISK MANAGEMENT:

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County with other municipalities participates in the Michigan Municipal Risk Management Authority. The County pays an annual premium for its general liability, excess liability, auto liability, errors and omissions, and physical damage insurance coverage. The agreement provides that the pool will cover liability claims in excess of \$75,000 for each insured event to a maximum of \$10,000,000 and property and crime claims in excess of \$1,000 plus 10% of the next \$100,000. If a covered loss exceeds the Authority's limits, all further payments for such loss are the sole obligation of the County. If for any reason, the Authority resources available to pay losses are depleted, the payment of all unpaid losses of the county is the sole obligation of the County. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The County continues to carry commercial insurance for other risk of loss, including worker's compensation and employee health insurance.

NOTE J – PENSION PLANS:

The County has two pension plans in an agent multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. One is for the primary unit, the other for a component unit (County Road Commission). The County does not include here all of the disclosures required by generally accepted accounting principles relating to these plans. Readers are referred to annual reports of the Plans for further information.

The County's payroll for employees covered by the System for the year ended December 31, 2004 was approximately \$1,423,000 and the total payroll was approximately \$1,581,000. Employer contributions totaled \$279,573 for 2004. This Plan covers all of the County's regular full-time employees.

NOTE K – DEFERRED COMPENSATION PLAN:

The County of Alger offers its employees two deferred compensation plans created in accordance with Internal Revenue Code, Section 457. The Plans, available to all employees, permit them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plans are held in trust for the exclusive benefit of plan participants and their beneficiaries.

The Plans are administered by the National Association of Counties (NACo) through Nationwide Retirement Solutions (formerly known as PEBSCO) and the Variable Annuity Life Insurance Company (VALIC). NACo and VALIC, as Plan Administrators, agree to hold harmless and indemnify the County, its appointed and elected officers and participating employees from any loss resulting from NACo, VALIC or their agent's failure to perform their duties and services pursuant to the program.

NOTE K – DEFERRED COMPENSATION PLAN (CONTINUED):

In accordance with GASB Statement No. 32 plan balances and activities are not reflected in the County's financial statements.

NOTE L – MICHIGAN UNIFORM ACCOUNTING AND BUDGETING ACT:

The County Board of Commissioners amended the budget of the General Fund during the fiscal year. The financial statements reflected these amended budgets. The budget is adopted on a basis consistent with the basis of accounting used by the General Fund, generally the modified cash basis. Budgeted appropriations lapse at year end.

The Act requires that the budget be amended before the additional expenditures are incurred. The County amended the general fund budget at year end, after expenditures were incurred. Therefore, the final budget revision was not made in accordance with the Budget Act. The following line items had excess expenditures over appropriations at December 31, 2004:

Other expenditures	<u>\$339</u>
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The County Board of Commissioners did not adopt budgets for the special revenue funds as required by the Budget Act.

NOTE M – RESERVED FUND BALANCE:

The resources of the Capital Projects fund have been received for the specific purpose of providing rehabilitation to homes located in the County through the H.U.D. revolving rehabilitation program. Fund Balance has been reserved for this purpose.

NOTE N – DEFICIT FUND BALANCE:

The following deficit fund balances existed at December 31, 2004. The County plans to eliminate these deficit fund balances through transfers in the subsequent year.

Emergency Management Fund	\$1,602
Circuit Court Probate Oversight Fund	105

NOTE O – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES:

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995, the Counties of Alger, Marquette, Delta, and Luce created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Pathways to Health Living. Under such provisions, Pathways to Health Living became a separate legal entity from the counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective counties. The

NOTE O – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES (CONTINUED):

Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code.

Summary financial information as of and for the fiscal year ended September 30, 2004 (the latest available report), for the Board is as follows:

Assets	\$10,274,289
Liabilities	8,214,131
Net Assets	2,060,158
Total Revenues	70,830,109
Total Expenses	72,805,443
Change in Net Assets	(1,975,334)

The separately issued financial statements can be obtained from the administrative office of the Board at: Pathways to Health Living, 200 West Spring Street, Marquette, Michigan 49855.

**Required Supplementary
Information**

County of Alger, Michigan

General Fund

Budgetary Comparison Schedule - Modified Cash Basis

For the year ended December 31, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,537,100	\$ 1,562,140	\$ 1,559,931	\$ (2,209)
Licenses and permits	1,650	1,650	1,617	(33)
Federal sources	187,000	187,000	203,261	16,261
State sources	573,543	588,543	549,639	(38,904)
Local sources	10,000	10,000	12,687	2,687
Contributions from private sources	24,000	24,000	9,600	(14,400)
Charges for services	381,992	411,435	443,411	31,976
Fines and forfeitures	15,700	15,700	14,918	(782)
Interest and rentals	150,000	150,000	137,291	(12,709)
Other revenues	96,000	110,000	22,116	(87,884)
TOTAL REVENUES	2,976,985	3,060,468	2,954,471	(105,997)
EXPENDITURES:				
Current:				
Legislative	38,700	40,428	40,428	-
Judicial	503,126	571,334	571,334	-
General government	698,090	788,511	787,878	633
Public safety	592,617	659,105	659,104	1
Health and welfare	92,736	85,608	85,608	-
Other expenditures	999,580	1,024,750	1,025,089	(339)
Capital outlay	-	-	-	-
Debt service	83,200	81,703	81,703	-
TOTAL EXPENDITURES	3,008,049	3,251,439	3,251,144	295
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,064)	(190,971)	(296,673)	(105,702)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in	85,064	236,151	326,122	89,971
Transfers (out)	(54,000)	(37,500)	(27,636)	9,864
TOTAL OTHER FINANCING SOURCES (USES)	31,064	198,651	298,486	99,835
CHANGE IN FUND BALANCE	-	7,680	1,813	(5,867)
Fund balance, beginning of year	-	240,407	240,407	-
FUND BALANCE, END OF YEAR	\$ -	\$ 248,087	\$ 242,220	\$ (5,867)

County of Alger, Michigan
Major Special Revenue Funds
 Budgetary Comparison Schedule - Modified Cash Basis
 For the year ended December 31, 2004

	AMBULANCE FUND					RESTRICTED FUND					REVENUE SHARING RESERVE FUND				
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
REVENUES:	Original	Final				Original	Final				Original	Final			
Property taxes	\$ -	\$ -	\$ 218,038	\$ 218,038		\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 428,745	\$ 428,745	
State sources	-	-	36,197	36,197		-	-	-	-		-	-	-	-	
Charges for services	-	-	185,161	185,161		-	-	-	-		-	-	-	-	
Interest income and rentals	-	-	-	-		-	-	-	-		-	-	-	-	
Contributions	-	-	-	-		-	-	-	-		-	-	-	-	
Interest and rentals	-	-	-	-		-	-	12,081	12,081		-	-	-	-	
TOTAL REVENUES	-	-	439,396	439,396		-	-	12,081	12,081		-	-	428,745	428,745	
EXPENDITURES:															
Current operations:															
General government	-	-	-	-		-	-	-	-		-	-	27,152	(27,152)	
Health and welfare	-	-	341,949	(341,949)		-	-	-	-		-	-	-	-	
TOTAL EXPENDITURES	-	-	341,949	(341,949)		-	-	-	-		-	-	27,152	(27,152)	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	97,447	97,447		-	-	12,081	12,081		-	-	401,593	401,593	
OTHER FINANCING SOURCES (USES):															
Transfers in	-	-	-	-		-	-	-	-		-	-	-	-	
Transfers (out)	-	-	(80,683)	(80,683)		-	-	-	-		-	-	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(80,683)	(80,683)		-	-	-	-		-	-	-	-	
CHANGE IN FUND BALANCE	-	-	16,764	16,764		-	-	12,081	12,081		-	-	401,593	401,593	
Fund balance, beginning of year	-	-	80,984	80,984		-	-	526,300	526,300		-	-	-	-	
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 97,748	\$ 97,748		\$ -	\$ -	\$ 538,381	\$ 538,381		\$ -	\$ -	\$ 401,593	\$ 401,593	

Other Financial Information

County of Alger, Michigan
General Fund
Schedule of Revenues and Other Financing Sources - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
TAXES:			
Current taxes	\$ 1,240,000	\$ 1,240,151	151
Delinquent personal taxes	2,000	1,523	(477)
Payments in lieu of taxes	174,040	176,925	2,885
Swampland	92,000	92,149	149
Commercial forest reserve	54,000	49,127	(4,873)
Trailer tax	100	56	(44)
TOTAL TAXES	1,562,140	1,559,931	(2,209)
LICENSES AND PERMITS:			
Dog licenses	600	1,080	480
Pistol permits	700	-	(700)
Marriage licenses	350	310	(40)
Other	-	227	227
TOTAL LICENSES AND PERMITS	1,650	1,617	(33)
FEDERAL GRANTS:			
Prosecuting Attorney - ADC Coop. Rem.	32,000	21,065	(10,935)
Friend of the Court - Title IV Incentive	14,000	16,555	2,555
Friend of the Court - Coop. Rem.	87,000	121,455	34,455
Federal park patrol	6,000	5,681	(319)
A.S.A.P.	48,000	38,505	(9,495)
TOTAL FEDERAL GRANTS	187,000	203,261	16,261
STATE GRANTS:			
State shared revenues	152,000	134,712	(17,288)
Single business inventory tax	14,262	14,385	123
Probate judge's salary	94,200	101,232	7,032
Judicial standardization	29,931	26,520	(3,411)
Sheriffs road patrol	44,000	44,652	652
State inmate housing	35,000	35,061	61
County juvenile officer	27,317	20,488	(6,829)
Attorney fees for state inmates	11,000	2,418	(8,582)
County diversion officer	15,000	10,278	(4,722)
Community corrections	18,271	13,846	(4,425)

County of Alger, Michigan
General Fund
Schedule of Revenues and Other Financing Sources - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
STATE GRANTS (Continued):			
Convention facility tax	\$ 36,570	\$ 36,531	\$ (39)
Cigarette tax	4,757	5,672	915
Snowmobile enforcement	28,000	27,426	(574)
Court equity fund	54,235	60,124	5,889
Prosecuting Attorney - Crime Victims Rights	24,000	15,906	(8,094)
Other	-	388	388
TOTAL STATE GRANTS	588,543	549,639	(38,904)
CONTRIBUTIONS FROM LOCAL UNITS:			
Township liquor licenses	6,000	7,721	1,721
Other local units	4,000	4,966	966
TOTAL CONTRIBUTIONS FROM LOCAL UNITS	10,000	12,687	2,687
CONTRIBUTIONS FROM PRIVATE SOURCES:			
Gaming revenue sharing	16,000	9,600	(6,400)
Other private sources	8,000	-	(8,000)
TOTAL CONTRIBUTIONS FROM PRIVATE SOURCES	24,000	9,600	(14,400)
CHARGES FOR SERVICES:			
Circuit court costs	10,500	20,951	10,451
District court costs	117,000	126,987	9,987
Circuit court fees	6,000	5,690	(310)
District court fees	8,600	9,627	1,027
Friend of the court	6,000	6,773	773
Probate court	6,000	5,572	(428)
Probate court attorney fees	1500	563	(937)
Treasurer services	3,720	1,017	(2,703)
Clerk services	6,000	12,979	6,979
Register of deeds	84,000	77,931	(6,069)
Real estate transfer tax	29,022	35,130	6,108
Sheriff's service	8,738	16,479	7,741
Current services - sales:			
Postage	3,633	32	(3,601)
Other	108,722	103,370	(5,352)
County inmate room and board	12,000	20,310	8,310
TOTAL CHARGES FOR SERVICES	411,435	443,411	31,976

County of Alger, Michigan
General Fund
Schedule of Revenues and Other Financing Sources - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
FINES AND FORFEITS:			
Forfeitures	\$ 1,500	\$ 6,256	\$ 4,756
Penalties	9,700	1,162	(8,538)
Penal fines	<u>4,500</u>	<u>7,500</u>	<u>3,000</u>
TOTAL FINES AND FORFEITS	<u>15,700</u>	<u>14,918</u>	<u>(782)</u>
INTEREST AND RENTALS:			
Interest on investments	40,000	26,906	(13,094)
Rents	<u>110,000</u>	<u>110,385</u>	<u>385</u>
TOTAL INTEREST AND RENTALS	<u>150,000</u>	<u>137,291</u>	<u>(12,709)</u>
OTHER REVENUE:			
Other miscellaneous revenue	<u>110,000</u>	<u>22,116</u>	<u>(87,884)</u>
TOTAL OTHER REVENUE	<u>110,000</u>	<u>22,116</u>	<u>(87,884)</u>
TOTAL REVENUES	<u>3,060,468</u>	<u>2,954,471</u>	<u>(105,997)</u>
OTHER FINANCING SOURCES:			
Transfers in:			
Ambulance Fund	-	72,075	72,075
Delinquent Tax Revolving Fund	<u>236,151</u>	<u>254,047</u>	<u>17,896</u>
TOTAL OTHER FINANCING SOURCES	<u>236,151</u>	<u>326,122</u>	<u>89,971</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 3,296,619</u>	<u>\$ 3,280,593</u>	<u>\$ (16,026)</u>

County of Alger, Michigan
General Fund
Schedule of Expenditures and Other Financing Uses - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
LEGISLATIVE:			
Board of Commissioners	\$ 38,773	\$ 38,773	-
Advertising	<u>1,655</u>	<u>1,655</u>	<u>-</u>
TOTAL LEGISLATIVE	<u>40,428</u>	<u>40,428</u>	<u>-</u>
JUDICIAL:			
Circuit Court	104,547	104,547	-
Circuit Court - administrative	2,750	2,750	-
District Court	134,521	134,521	-
District/Circuit Courts - standardization	25,112	25,112	-
Friend of the Court	96,231	96,231	-
Probate Court	165,846	165,846	-
Probate Court - juvenile officer	32,625	32,625	-
Probate Court - diversion officer	7,728	7,728	-
Jury commission	<u>1,974</u>	<u>1,974</u>	<u>-</u>
TOTAL JUDICIAL	<u>571,334</u>	<u>571,334</u>	<u>-</u>
GENERAL GOVERNMENT:			
Elections	25,576	25,576	-
Tax equalization	114,368	114,368	-
Clerk/Register of deeds	198,140	198,206	(66)
Prosecuting attorney	111,839	111,839	-
Treasurer	123,924	123,225	699
Building and grounds	178,701	178,701	-
Duplicating services	17,831	17,831	-
Postage	13,235	13,235	-
Service contract	<u>4,897</u>	<u>4,897</u>	<u>-</u>
TOTAL GENERAL GOVERNMENT	<u>788,511</u>	<u>787,878</u>	<u>633</u>

County of Alger, Michigan
General Fund
Schedule of Expenditures and Other Financing Uses - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY:			
Sheriff	\$ 104,254	\$ 104,254	-
Road patrol	40,858	40,858	-
U.S. Forest patrol	5,210	5,210	-
Jail	401,487	401,487	-
Snowmobile	17,127	17,127	-
Motor pool	23,798	23,798	-
Emergency services	11,000	11,000	-
Animal control	3,969	3,969	-
Other	51,402	51,401	1
TOTAL PUBLIC SAFETY	659,105	659,104	1
HEALTH AND WELFARE:			
District Health Department	16,187	16,187	-
Substance abuse services	18,266	18,266	-
Medical examiner	6,290	6,290	-
Community mental health	33,220	33,220	-
Veterans burials	3,300	3,300	-
Veterans affairs	8,345	8,345	-
TOTAL HEALTH AND WELFARE	85,608	85,608	-
OTHER EXPENDITURES:			
Insurance	634,304	634,372	(68)
Retirement	249,753	249,914	(161)
Social security	103,342	103,342	-
Unemployment	8,143	8,143	-
Airport	10,682	10,682	-
Professional fees	16,613	16,613	-
Computer services	350	350	-
Miscellaneous	1,563	1,673	(110)
TOTAL OTHER EXPENDITURES	1,024,750	1,025,089	(339)
DEBT SERVICE	81,703	81,703	-
TOTAL EXPENDITURES	3,251,439	3,251,144	295

County of Alger, Michigan
General Fund
Schedule of Expenditures and Other Financing Uses - Modified Cash Basis - Budget and Actual
For the year ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING USES:			
Transfers out:			
Probate/Child Care Fund	\$ 10,000	\$ 136	\$ 9,864
Social Services Fund	10,000	10,000	-
Law Library Fund	<u>17,500</u>	<u>17,500</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>37,500</u>	<u>27,636</u>	<u>9,864</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,288,939</u>	<u>\$ 3,278,780</u>	<u>\$ 10,159</u>

County of Alger, Michigan
Ambulance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Property taxes	\$ 218,038
State sources	36,197
Current services:	
Services and mileage	<u>185,161</u>

TOTAL REVENUES 439,396

EXEPENDITURES:

Health and welfare:	
Equipment	24,029
County Officer	5,000
Supplies	31,446
Gasoline	4,207
Vehicle	53,072
Maintenance	5,112
Ambulance attendants, clerks	146,578
Other	47,571
Payments to townships	<u>24,934</u>

TOTAL EXPENDITURES 341,949

EXCESS REVENUES OVER (UNDER) EXPENDITURES 97,447

OTHER FINANCING SOURCES (USES):

Transfer (out) - Emergency Management Grant Fund	(8,608)
Transfer (out) - General Fund	<u>(72,075)</u>

TOTAL OTHER FINANCING SOURCES (USES) (80,683)

CHANGE IN FUND BALANCE 16,764

Fund balance, beginning of year	<u>80,984</u>
---------------------------------	---------------

FUND BALANCE, END OF YEAR \$ 97,748

County of Alger, Michigan
Restricted Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources	\$ -
Interest and rentals	<u>12,081</u>

TOTAL REVENUES 12,081

EXEPENDITURES:

General government	<u>-</u>
--------------------	----------

TOTAL EXPENDITURES -

EXCESS REVENUES OVER (UNDER) EXPENDITURES 12,081

OTHER FINANCING SOURCES (USES):

Transfer in - General Fund	<u>-</u>
----------------------------	----------

TOTAL OTHER FINANCING SOURCES (USES) -

CHANGE IN FUND BALANCE 12,081

Fund balance, beginning of year	<u>526,300</u>
---------------------------------	----------------

FUND BALANCE, END OF YEAR \$ 538,381

County of Alger, Michigan
Revenue Sharing Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Property taxes	\$ <u>428,745</u>
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TOTAL REVENUES	<u>428,745</u>
-----------------------	----------------

EXEPENDITURES:

General government	<u>27,152</u>
--------------------	---------------

TOTAL EXPENDITURES	<u>27,152</u>
---------------------------	---------------

EXCESS REVENUES OVER (UNDER) EXPENDITURES	401,593
--	---------

OTHER FINANCING SOURCES:

Transfer in - General Fund	<u>-</u>
----------------------------	----------

CHANGE IN FUND BALANCE	401,593
-------------------------------	---------

Fund balance, beginning of year	<u>-</u>
---------------------------------	----------

FUND BALANCE, END OF YEAR \$	<u>401,593</u>
-------------------------------------	----------------

County of Alger, Michigan
Non-Major Governmental Funds
Combining Balance Sheet - Modified Cash Basis
December 31, 2004

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Cash	\$ 411,399	\$ 56,535	\$ 467,934
Other assets	-	-	-
TOTAL ASSETS	<u>\$ 411,399</u>	<u>\$ 56,535</u>	<u>\$ 467,934</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Cash overdraft	\$ 1,707	\$ -	\$ 1,707
Other liabilities	-	-	-
TOTAL LIABILITIES	<u>1,707</u>	<u>-</u>	<u>1,707</u>
FUND BALANCE:			
Reserved, reported in:			
Capital projects funds		56,535	56,535
Unreserved, reported in:			
Special revenue funds	<u>409,692</u>	<u>-</u>	<u>409,692</u>
TOTAL FUND BALANCE	<u>409,692</u>	<u>56,535</u>	<u>466,227</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 411,399</u>	<u>\$ 56,535</u>	<u>\$ 467,934</u>

County of Alger, Michigan

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis

For the year ended December 31, 2004

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
License and permits	97,498	-	97,498
Federal sources	27,631	70,077	97,708
State sources	81,183	-	81,183
Local sources	108,893	1,775	110,668
Charges for services	68,434	-	68,434
Fines and forfeits	2,132	-	2,132
Interest and rentals	-	-	-
TOTAL REVENUES	<u>385,771</u>	<u>71,852</u>	<u>457,623</u>
EXPENDITURES:			
Current operations:			
Judicial	28,552	-	28,552
General government	153,337	-	153,337
Public safety	162,892	-	162,892
Health and welfare	24,046	-	24,046
Capital outlay	-	37,418	37,418
TOTAL EXPENDITURES	<u>368,827</u>	<u>37,418</u>	<u>406,245</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,944</u>	<u>34,434</u>	<u>51,378</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	55,407	-	55,407
Transfer in (out)	(12,000)	-	(12,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>43,407</u>	<u>-</u>	<u>43,407</u>
CHANGE IN FUND BALANCE	60,351	34,434	94,785
Fund balance, beginning of year	<u>349,341</u>	<u>22,101</u>	<u>371,442</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 409,692</u></u>	<u><u>\$ 56,535</u></u>	<u><u>\$ 466,227</u></u>

County of Alger, Michigan

Non-Major Special Revenue Funds

Combining Balance Sheet - Modified Cash Basis

December 31, 2004

	County									
	Social Services Fund	M.S.U. Extension Fund	County Law Library Fund	Emergency Management Fund	Friend of the Court Fund	Probate Child Care Fund	Building Department Fund	Veterans Trust Fund	Michigan Justice Training Fund	Central Dispatch 911 Fund
ASSETS										
Cash	\$ -	\$ 11,149	\$ 78	\$ -	\$ 31,035	\$ -	\$ 30,774	\$ 306	\$ 6,192	\$ 37,220
Other assets	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 11,149	\$ 78	\$ -	\$ 31,035	\$ -	\$ 30,774	\$ 306	\$ 6,192	\$ 37,220
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Cash overdraft	\$ -	\$ -	\$ -	\$ 1,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	1,602	-	-	-	-	-	-
FUND EQUITY:										
Fund balance - unreserved	-	11,149	78	(1,602)	31,035	-	30,774	306	6,192	37,220
TOTAL FUND EQUITY	-	11,149	78	(1,602)	31,035	-	30,774	306	6,192	37,220
TOTAL LIABILITIES AND FUND EQUITY	\$ -	\$ 11,149	\$ 78	\$ -	\$ 31,035	\$ -	\$ 30,774	\$ 306	\$ 6,192	\$ 37,220

County of Alger, Michigan

Non-major Special Revenue Funds

Combining Balance Sheet - Modified Cash Basis

December 31, 2004

	Wireless 911 Fund	Register of Deeds Automation Fund	Tax Administration Fund	Emergency Management Grant Fund	Drug Law Enforcement Fund	Circuit Court Probate Oversight Fund	Homestead Property Tax Fund	Total
ASSETS								
Cash	\$ 247,565	\$ 19,998	\$ -	\$ 1,613	\$ 859	\$ -	\$ 24,610	\$ 411,399
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 247,565	\$ 19,998	\$ -	\$ 1,613	\$ 859	\$ -	\$ 24,610	\$ 411,399
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105	\$ -	\$ 1,707
Other liabilities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	105	-	1,707
FUND EQUITY:								
Fund balance - unreserved	247,565	19,998	-	1,613	859	(105)	24,610	409,692
TOTAL FUND EQUITY	247,565	19,998	-	1,613	859	(105)	24,610	409,692
TOTAL LIABILITIES AND FUND EQUITY	\$ 247,565	\$ 19,998	\$ -	\$ 1,613	\$ 859	\$ -	\$ 24,610	\$ 411,399

County of Alger, Michigan

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis

For the year ended December 31, 2004

	Social Services Fund	M.S.U. Extension Fund	County Law Library Fund	Emergency Management Fund	Friend of the Court Fund	Probate Child Care Fund	Building Department Fund	Veterans Trust Fund	Michigan Justice Training Fund	Central Dispatch 911 Fund
REVENUES:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	97,498	-	-	-
Federal sources	-	-	-	27,281	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	1,405	2,487	-
Local sources	-	57,774	-	11,000	-	12,820	-	-	-	-
Charges for services	-	-	-	-	1,915	-	-	-	-	50,112
Fines and forfeits	-	-	2,132	-	-	-	-	-	-	-
Interest and rentals	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	10,000	57,774	2,132	38,281	1,915	12,820	97,498	1,405	2,487	50,112
EXPENDITURES:										
Current operations:										
Judicial	-	-	20,244	-	3,600	-	-	-	3,103	-
General government	-	48,996	-	-	-	-	81,785	-	-	-
Public safety	-	-	-	39,801	-	-	-	-	-	58,470
Health and welfare	10,000	-	-	-	-	12,956	-	1,090	-	-
TOTAL EXPENDITURES	10,000	48,996	20,244	39,801	3,600	12,956	81,785	1,090	3,103	58,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	8,778	(18,112)	(1,520)	(1,685)	(136)	15,713	315	(616)	(8,358)
OTHER FINANCING SOURCES (USES):										
Transfer in	10,000	-	17,500	-	-	136	-	-	-	-
Transfer (out)	-	-	-	-	-	-	-	-	-	(12,000)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	17,500	-	-	136	-	-	-	(12,000)
CHANGES IN FUND BALANCE	-	8,778	(612)	(1,520)	(1,685)	-	15,713	315	(616)	(20,358)
Fund balance, beginning of year	-	2,371	690	(82)	32,720	-	15,061	(9)	6,808	57,578
FUND BALANCE, END OF YEAR	\$ -	\$ 11,149	\$ 78	\$ (1,602)	\$ 31,035	\$ -	\$ 30,774	\$ 306	\$ 6,192	\$ 37,220

County of Alger, Michigan

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis

For the year ended December 31, 2004

	Wireless 911 Fund	Register of Deeds Automation Fund	Tax Administration Fund	Emergency Management Grant Fund	Drug Law Enforcement Fund	Circuit Court Probate Oversight Fund	Homestead Property Tax Fund	Total
REVENUES:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	97,498
Federal sources	-	-	-	350	-	-	-	27,631
State sources	77,291	-	-	-	-	-	-	81,183
Local sources	-	-	-	-	859	1,500	24,940	108,893
Charges for services	-	16,407	-	-	-	-	-	68,434
Fines and forfeits	-	-	-	-	-	-	-	2,132
Interest and rentals	-	-	-	-	-	-	-	-
TOTAL REVENUES	77,291	16,407	-	350	859	1,500	24,940	385,771
EXPENDITURES:								
Current operations:								
Judicial	-	-	-	-	-	1,605	-	28,552
General government	-	19,105	3,121	-	-	-	330	153,337
Public safety	45,276	-	-	19,345	-	-	-	162,892
Health and welfare	-	-	-	-	-	-	-	24,046
TOTAL EXPENDITURES	45,276	19,105	3,121	19,345	-	1,605	330	368,827
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,015	(2,698)	(3,121)	(18,995)	859	(105)	24,610	16,944
OTHER FINANCING SOURCES (USES):								
Transfer in	-	7,163	-	20,608	-	-	-	55,407
Transfer (out)	-	-	-	-	-	-	-	(12,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	7,163	-	20,608	-	-	-	43,407
CHANGES IN FUND BALANCE	32,015	4,465	(3,121)	1,613	859	(105)	24,610	60,351
Fund balance, beginning of year	215,550	15,533	3,121	-	-	-	-	349,341
FUND BALANCE, END OF YEAR	\$ 247,565	\$ 19,998	\$ -	\$ 1,613	\$ 859	\$ (105)	\$ 24,610	\$ 409,692

County of Alger, Michigan
Social Services Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ -

TOTAL REVENUES -

EXPENDITURES:

Health and welfare 10,000

TOTAL EXPENDITURES 10,000

EXCESS REVENUES OVER (UNDER) EXPENDITURES (10,000)

OTHER FINANCING SOURCES:

Transfer in - General Fund 10,000

CHANGE IN FUND BALANCE -

Fund balance, beginning of year -

FUND BALANCE, END OF YEAR \$ -

County of Alger, Michigan
M.S.U. Extension Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ 57,774

TOTAL REVENUES 57,774

EXPENDITURES:

General government 48,996

TOTAL EXPENDITURES 48,996

EXCESS REVENUES OVER (UNDER) EXPENDITURES 8,778

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE 8,778

Fund balance, beginning of year 2,371

FUND BALANCE, END OF YEAR \$ 11,149

County of Alger, Michigan
County Law Library Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Fines and forfeitures \$ 2,132

TOTAL REVENUES 2,132

EXPENDITURES:

Judicial:

Law books 20,244

TOTAL EXPENDITURES 20,244

EXCESS REVENUES OVER (UNDER) EXPENDITURES (18,112)

OTHER FINANCING SOURCES:

Transfer in - General Fund 17,500

TOTAL OTHER FINANCING SOURCES (USES) 17,500

CHANGE IN FUND BALANCE (612)

Fund balance, beginning of year 690

FUND BALANCE, END OF YEAR \$ 78

County of Alger, Michigan
Emergency Management Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Federal sources	\$	27,281
Local sources		<u>11,000</u>

TOTAL REVENUES 38,281

EXPENDITURES:

Public safety		<u>39,801</u>
---------------	--	---------------

TOTAL EXPENDITURES 39,801

EXCESS REVENUES OVER (UNDER) EXPENDITURES (1,520)

OTHER FINANCING SOURCES:

Transfer in - General Fund		<u>-</u>
----------------------------	--	----------

CHANGE IN FUND BALANCE (1,520)

Fund balance, beginning of year		<u>(82)</u>
---------------------------------	--	-------------

FUND BALANCE, END OF YEAR \$ (1,602)

County of Alger, Michigan
Friend of the Court Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Federal sources	\$ -
Charges for services	<u>1,915</u>

TOTAL REVENUES 1,915

EXEPENDITURES:

Judicial	<u>3,600</u>
----------	--------------

TOTAL EXPENDITURES 3,600

EXCESS REVENUES OVER (UNDER) EXPENDITURES (1,685)

OTHER FINANCING SOURCES:

Transfer in - General Fund	<u>-</u>
----------------------------	----------

CHANGE IN FUND BALANCE (1,685)

Fund balance, beginning of year	<u>32,720</u>
---------------------------------	---------------

FUND BALANCE, END OF YEAR \$ 31,035

County of Alger, Michigan
Probate Child Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ 12,820

TOTAL REVENUES 12,820

EXPENDITURES:

Health and welfare 12,956

TOTAL EXPENDITURES 12,956

EXCESS REVENUES OVER (UNDER) EXPENDITURES (136)

OTHER FINANCING SOURCES:

Transfer in - General Fund 136

CHANGE IN FUND BALANCE -

Fund balance, beginning of year -

FUND BALANCE, END OF YEAR \$ -

County of Alger, Michigan
Building Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Licenses and permits	\$ 97,498
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TOTAL REVENUES	<u>97,498</u>
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EXEPENDITURES:

General government	<u>81,785</u>
--------------------	---------------

TOTAL EXPENDITURES	<u>81,785</u>
---------------------------	---------------

EXCESS REVENUES OVER (UNDER) EXPENDITURES	15,713
--	--------

OTHER FINANCING SOURCES:

Transfer in - General Fund	<u>-</u>
----------------------------	----------

CHANGE IN FUND BALANCE	15,713
-------------------------------	--------

Fund balance, beginning of year	<u>15,061</u>
---------------------------------	---------------

FUND BALANCE, END OF YEAR \$	<u><u>30,774</u></u>
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County of Alger, Michigan
Veterans Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

State sources \$ 1,405

TOTAL REVENUES 1,405

EXPENDITURES:

Health and welfare 1,090

TOTAL EXPENDITURES 1,090

EXCESS REVENUES OVER (UNDER) EXPENDITURES 315

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE 315

Fund balance, beginning of year (9)

FUND BALANCE, END OF YEAR \$ 306

County of Alger, Michigan
Michigan Justice Training Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

State sources \$ 2,487

TOTAL REVENUES 2,487

EXPENDITURES:

Judicial:

Training 3,103

TOTAL EXPENDITURES 3,103

EXCESS REVENUES OVER (UNDER) EXPENDITURES (616)

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE (616)

Fund balance, beginning of year 6,808

FUND BALANCE, END OF YEAR \$ 6,192

County of Alger, Michigan
Central Dispatch 911 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Federal sources	\$ -
Local telephone surcharge	<u>50,112</u>

TOTAL REVENUES 50,112

EXPENDITURES:

Public safety	<u>58,470</u>
---------------	---------------

TOTAL EXPENDITURES 58,470

EXCESS REVENUES OVER (UNDER) EXPENDITURES (8,358)

OTHER FINANCING SOURCES:

Transfer (out) - Emergency Management Grant Fund	<u>(12,000)</u>
--	-----------------

CHANGE IN FUND BALANCE (20,358)

Fund balance, beginning of year	<u>57,578</u>
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FUND BALANCE, END OF YEAR \$ 37,220

County of Alger, Michigan
Wireless 911 Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

State 911 wireless grant \$ 77,291

TOTAL REVENUES 77,291

EXPENDITURES:

Public safety 45,276

TOTAL EXPENDITURES 45,276

EXCESS REVENUES OVER (UNDER) EXPENDITURES 32,015

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE 32,015

Fund balance, beginning of year 215,550

FUND BALANCE, END OF YEAR \$ 247,565

County of Alger, Michigan
Register of Deeds Automation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Charges for services \$ 16,407

TOTAL REVENUES 16,407

EXPENDITURES:

General government 19,105

TOTAL EXPENDITURES 19,105

EXCESS REVENUES OVER (UNDER) EXPENDITURES (2,698)

OTHER FINANCING SOURCES:

Transfer in - 2002 Tax Collection Fund 7,163

CHANGE IN FUND BALANCE 4,465

Fund balance, beginning of year 15,533

FUND BALANCE, END OF YEAR \$ 19,998

County of Alger, Michigan
Tax Administration Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ -

TOTAL REVENUES -

EXPENDITURES:

General government 3,121

TOTAL EXPENDITURES 3,121

EXCESS REVENUES OVER (UNDER) EXPENDITURES (3,121)

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE (3,121)

Fund balance, beginning of year 3,121

FUND BALANCE, END OF YEAR \$ -

County of Alger, Michigan
Emergency Management Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Federal sources	\$ 350
Local sources	<u>-</u>

TOTAL REVENUES 350

EXPENDITURES:

Public safety	<u>19,345</u>
---------------	---------------

TOTAL EXPENDITURES 19,345

EXCESS REVENUES OVER (UNDER) EXPENDITURES (18,995)

OTHER FINANCING SOURCES:

Transfer in - Ambulance Fund	8,608
Transfer in - Central Dispatch 911 Fund	<u>12,000</u>

TOTAL OTHER FINANCING SOURCES 20,608

CHANGE IN FUND BALANCE 1,613

Fund balance, beginning of year	<u>-</u>
---------------------------------	----------

FUND BALANCE, END OF YEAR \$ 1,613

County of Alger, Michigan
Drug Law Enforcement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ 859

TOTAL REVENUES 859

EXPENDITURES:

Public safety -

TOTAL EXPENDITURES -

EXCESS REVENUES OVER (UNDER) EXPENDITURES 859

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE 859

Fund balance, beginning of year -

FUND BALANCE, END OF YEAR \$ 859

County of Alger, Michigan
Circuit Court Probate Oversight Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ 1,500

TOTAL REVENUES 1,500

EXPENDITURES:

Judicial 1,605

TOTAL EXPENDITURES 1,605

EXCESS REVENUES OVER (UNDER) EXPENDITURES (105)

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE (105)

Fund balance, beginning of year -

FUND BALANCE, END OF YEAR \$ (105)

County of Alger, Michigan
Homestead Property Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
For the year ended December 31, 2004

REVENUES:

Local sources \$ 24,940

TOTAL REVENUES 24,940

EXPENDITURES:

General government 330

TOTAL EXPENDITURES 330

EXCESS REVENUES OVER (UNDER) EXPENDITURES 24,610

OTHER FINANCING SOURCES:

Transfer in - General Fund -

CHANGE IN FUND BALANCE 24,610

Fund balance, beginning of year -

FUND BALANCE, END OF YEAR \$ 24,610

County of Alger, Michigan

Non-Major Capital Projects Funds

Combining Balance Sheet - Modified Cash Basis

December 31, 2004

	<u>HUD Grant VII Revolving Rehab Grant Fund</u>	<u>CDBG Housing 2004 Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 14,994	\$ 41,541	\$ 56,535
TOTAL ASSETS	<u>\$ 14,994</u>	<u>\$ 41,541</u>	<u>\$ 56,535</u>
FUND EQUITY			
Fund balance - reserved	\$ 14,994	\$ 41,541	\$ 56,535
TOTAL FUND EQUITY	<u>\$ 14,994</u>	<u>\$ 41,541</u>	<u>\$ 56,535</u>

County of Alger, Michigan

Non-Major Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis

For the year ended December 31, 2004

	HUD Grant VII Revolving Rehab Grant Fund	CDBG Housing 2004 Fund	Total
REVENUES:			
Local sources	\$ 1,775	\$ -	\$ 1,775
Federal sources	-	70,077	70,077
TOTAL REVENUES	1,775	70,077	71,852
EXPENDITURES:			
Capital outlay	8,882	28,536	37,418
TOTAL EXPENDITURES	8,882	28,536	37,418
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,107)	41,541	34,434
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	(7,107)	41,541	34,434
Fund balance, beginning of year	22,101	-	22,101
FUND BALANCE, END OF YEAR	\$ 14,994	\$ 41,541	\$ 56,535

County of Alger, Michigan

Internal Service Funds

Combining Statement of Net Assets - Modified Cash Basis

December 31, 2004

100% Tax Collection Funds									
	1997	1998	1999	2000	2001	2002	2003	Summer Tax	Total
ASSETS									
Current Assets:									
Cash	\$ -	\$ -	\$ 3,781	\$ 38,756	\$ 38,873	\$ 51,995	\$ 281,449	\$ 2,890	\$ 417,744
Receivables - other governmental units	-	-	63	72	-	16,400	-	-	16,535
Taxes receivable	7,152	4,570	8,984	2,717	1,595	33,030	284,522	-	342,550
TOTAL CURRENT ASSETS	7,152	4,570	12,808	41,545	40,468	101,425	565,971	2,890	776,829
TOTAL ASSETS	7,152	4,570	12,808	41,545	40,468	101,425	565,971	2,890	776,829
LIABILITIES									
Current Liabilities:									
Due to other governmental units	77	-	297	748	2,204	950	-	-	4,276
TOTAL CURRENT LIABILITIES	77	-	297	748	2,204	950	-	-	4,276
TOTAL LIABILITIES	77	-	297	748	2,204	950	-	-	4,276
NET ASSETS									
Unrestricted	7,075	4,570	12,511	40,797	38,264	100,475	565,971	2,890	772,553
TOTAL NET ASSETS	\$ 7,075	\$ 4,570	\$ 12,511	\$ 40,797	\$ 38,264	\$ 100,475	\$ 565,971	\$ 2,890	\$ 772,553

County of Alger, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

For the year ended December 31, 2004

	100% Tax Collection Funds							Summer Tax	Total
	1997	1998	1999	2000	2001	2002	2003		
OPERATING REVENUES:									
Fees	\$ 422	\$ 2	\$ 37	\$ 76	\$ 1,520	\$ 16,923	\$ 24,022	\$ 561	\$ 43,563
Expense of sale	110	-	-	-	-	-	-	1,293	1,403
TOTAL OPERATING REVENUES	532	2	37	76	1,520	16,923	24,022	1,854	44,966
OPERATING EXPENSES:									
Other operating expenses	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	-	-	-	-	-	-	-	-	-
OPERATING INCOME (LOSS)	532	2	37	76	1,520	16,923	24,022	1,854	44,966
NONOPERATING REVENUES (EXPENSES):									
Interest income	992	97	59	171	8,186	39,190	29,706	-	78,401
Interest expense	-	-	-	-	-	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	992	97	59	171	8,186	39,190	29,706	-	78,401
INCOME (LOSS) BEFORE TRANSFERS	1,524	99	96	247	9,706	56,113	53,728	1,854	123,367
Transfers in	-	-	-	-	-	-	656,380	-	656,380
Transfers (out)	(2,869)	(8,856)	-	-	(52,785)	(708,630)	(144,137)	(313)	(917,590)
CHANGE IN NET ASSETS	(1,345)	(8,757)	96	247	(43,079)	(652,517)	565,971	1,541	(137,843)
Net assets, beginning of year	8,420	13,327	12,415	40,550	81,343	752,992	-	1,349	910,396
NET ASSETS, END OF YEAR	\$ 7,075	\$ 4,570	\$ 12,511	\$ 40,797	\$ 38,264	\$ 100,475	\$ 565,971	\$ 2,890	\$ 772,553

County of Alger, Michigan

Internal Service Funds

Combining Statement of Cash Flows - Modified Cash Basis

For the year ended December 31, 2004

	100% Tax Collection Funds							Total
	1997	1998	1999	2000	2001	2002	2003	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from fees and charges for services	\$ 1,339	\$ 63	\$ 196	\$ 499	\$ 25,445	\$ 264,816	\$ (260,500)	\$ 33,712
Cash payments to suppliers for goods and services	-	-	9	36	817	950	-	1,812
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,339	63	205	535	26,262	265,766	(260,500)	35,524
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Transfers in (out)	(2,869)	(8,856)	-	-	(52,785)	(708,630)	512,243	(261,210)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(2,869)	(8,856)	-	-	(52,785)	(708,630)	512,243	(261,210)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest income	992	97	59	171	8,186	39,190	29,706	78,401
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	992	97	59	171	8,186	39,190	29,706	78,401
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(538)	(8,696)	264	706	(18,337)	(403,674)	281,449	(147,285)
Cash and cash equivalents, beginning of year	538	8,696	3,517	38,050	57,210	455,669	-	565,029
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ 3,781	\$ 38,756	\$ 38,873	\$ 51,995	\$ 281,449	\$ 417,744
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 532	\$ 2	\$ 37	\$ 76	\$ 1,520	\$ 16,923	\$ 24,022	\$ 44,966
Adjustments to reconcile operating income to net cash provided by operating activities:								
Change in assets and liabilities:								
(Increase) decrease in accounts receivable	-	-	9	36	-	(16,400)	-	(16,355)
(Increase) decrease in taxes receivable	807	61	150	387	23,925	264,293	(284,522)	5,101
Increase (decrease) in accounts payable	-	-	9	36	817	950	-	1,812
NET ADJUSTMENTS	807	61	168	459	24,742	248,843	(284,522)	(9,442)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,339	\$ 63	\$ 205	\$ 535	\$ 26,262	\$ 265,766	\$ (260,500)	\$ 35,524

County of Alger, Michigan

Fiduciary Funds

Combining Statement of Net Assets - Modified Cash Basis

December 31, 2004

	Agency Fund	Payroll Agency Fund	Library Penal Fines Fund	Total
ASSETS				
Cash	\$ 947,892	\$ 25,276	\$ -	\$ 973,168
TOTAL ASSETS	<u>\$ 947,892</u>	<u>\$ 25,276</u>	<u>\$ -</u>	<u>\$ 973,168</u>
LIABILITIES				
Due to other governmental units:				
State of Michigan	\$ 89,940	\$ -	\$ -	\$ 89,940
Other	426,262	-	-	426,262
Other liabilities	<u>431,690</u>	<u>25,276</u>	<u>-</u>	<u>456,966</u>
TOTAL LIABILITIES	<u>\$ 947,892</u>	<u>\$ 25,276</u>	<u>\$ -</u>	<u>\$ 973,168</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

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MICHIGAN
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IRON MOUNTAIN
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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
County of Alger, Michigan
Munising, Michigan 49862

We have audited the financial statements of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the County of Alger, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated May 12, 2005. We did not audit the financial statements of the Commission on Aging discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based on the report of the other auditors. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alger, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated May 12, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Alger, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment could adversely affect the County of Alger, Michigan's ability to record, process, summarize and report financial data consistent

Board of Commissioners
County of Alger, Michigan
Munising, Michigan 49862

with the assertions of management in the financial statements. These reportable conditions are described in a separate letter to management dated May 12, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated May 12, 2005.

This report is intended solely for the information and use of management, others within the organization, County Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 12, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.
Certified Public Accountants

MICHIGAN
Escanaba
Iron Mountain
Kinross
Marquette

PARTNERS

John W. Blemberg, CPA

Robert J. Downs, CPA

Daniel E. Bianchi, CPA

WISCONSIN
Green Bay
Milwaukee

County of Alger, Michigan
Report to Management Letter
For the Year Ended December 31, 2004

To the Honorable Chairman and Members of
The Board of Commissioners
County of Alger, Michigan
Munising, MI 49862

In planning and performing our audit of the financial statements of the County of Alger, Michigan for the year ended December 31, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgement, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

Cash Disbursement System

When preparing checks for payment, there are two signatures required on all checks one from the Clerk's office and one from the Treasurer's office. The use of two signatures on all checks is a good practice of internal control. However, we noted during our audit of 2004 transactions the Deputy Clerk is the one preparing and mailing the checks and is usually the check signer for the Clerk's office. Good internal control stipulates the person preparing checks for payment should not be responsible for signing the checks and should not have sole possession of the checks during the payment process. We subsequently noted during a review of some transactions in the 2005 year that the County is following a new check signing policy whereby the Clerk and Treasurer are the primary signers with the Deputies as backup check signers and we encourage the County to continue this practice.

Payroll System

Our testing of the payroll system disclosed that not all departments are submitting supervisor approved time sheets. The County had an instance of employee falsification of time sheets and the need for supervisor review and approval of time sheets cannot be overemphasized. We recommend that all employee time sheets be initiated by a supervisor before payroll is released.

Previously the payroll function was being performed by a Deputy Clerk with the County Clerk performing the management oversight function of the payroll system. The County Clerk is now performing the payroll duties with no management oversight. Good internal control stipulates there should be segregation of duties as well as management oversight of the payroll function. We recommend the County either return the payroll duties to a Deputy Clerk with the County Clerk as the management oversight or appoint another qualified staff independent of the payroll process to perform independent oversight of the payroll function.

Our test of payroll transactions indicated that the County is not appropriately performing direct deposit of employee payroll checks. The payroll clerk is physically taking employee checks to various local banks and depositing the checks into individual employee accounts at the bank. The payroll clerk should not have possession of an employee's check and should not have access to employee bank accounts. Direct deposit should be an electronic function whereby an employee's net pay is wire transferred from the County's bank into the employee's checking or savings account. We recommend the County either institute an electronic direct deposit system with signed employee authorization forms or discontinue the practice of physically depositing employee paychecks.

Our test of vendor transactions disclosed that the County is inappropriately using payroll deductions for personal use. The County is withholding funds from employee paychecks for such personal transactions as mortgage payments, vehicle loans and dental bills and then writing vendor checks to disburse these funds on the employee's behalf. The practice of using County resources such as check stock, postage, and employee time to write checks for personal employee payments is misappropriation of County funds. Payroll deductions should only include County approved employee benefits such as health insurance, retirement, cafeteria plan amounts and court-ordered garnishments. We recommend the County discontinue the practice of including any other personal employee transactions within the payroll deduction function.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish

To the Honorable Chairman and Members of
The Board of Commissioners
County of Alger, Michigan

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responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The County was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote L.

* * * * *

This report is intended solely for the information and use of the County's management, and others within the County Administration.

We appreciate and would like to thank the County's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 12, 2005